



Press Release
VELICHAM FINANCE PRIVATE LIMITED
June 07, 2023

Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	50.00	ACUITE BB+ Positive Assigned	-
Bank Loan Ratings	50.00	ACUITE BB+ Positive Reaffirmed Stable to Positive	-
Total Outstanding Quantum (Rs. Cr)	100.00	-	-

Rating Rationale

Acuite has reaffirmed its long term rating of '**ACUITE BB+**' (read as **ACUITE double B Plus**) on the Rs. 50.00 Cr. bank facilities of Velicham Finance Private Limited (VFPL). The outlook has been revised from 'Stable' to '**Positive**'.

Acuite has assigned its long term rating of '**ACUITE BB+**' (read as **ACUITE double B Plus**) on the Rs. 50.00 Cr. bank facilities of Velicham Finance Private Limited (VFPL). The outlook is '**Positive**'.

Reason for revision in outlook

The revision in outlook takes in to consideration the growth in AUM, disbursements and profitability metrics of VFPL. The AUM of VFPL stood at Rs.119.19 Cr (49.41% in own book) at the end of March 2023, which improved from Rs.62.16 Cr (49.28% in own book) at the end of March, 2022. The growth in AUM was inline with the growth in disbursements for FY2023, which stood at Rs.119.13 Cr (48.05% towards own book). The profitability metrics of VFPL has captured the impact of the growth in the portfolio as the PAT for FY2023 improved to Rs. 2.80 Cr (provisional) from Rs. 1.02 Cr for FY2022. RoAA and NIM which stood at 5.44% (provisional) and 21.19% (provisional), respectively, has seen similar growth in FY2023.

The ratings continue to factor in VFPL's established presence in its area of operations and experienced management. The rating also factors in healthy asset quality metrics of VFPL. The company's asset quality was marked by on-time portfolio of 98.75 percent with GNPA's at 0.11 percent as on March 31, 2023. VFPL classifies NPA at 120+ DPD. The asset quality was also aided by average overall collection efficiency for six months ended June 30, 2022, which stood at 97.27 percent.

The rating is however, constrained by VFPL's modest capital structure with networth of Rs.14.13 Cr. (provisional) and gearing of 3.66 times. CAR stood at 24.29 percent as on March 31, 2023. The rating is further constrained by VFPL's modest scale of operations and geographic concentration and risks inherent to MSME sector.

Going forward, the company's ability to raise capital and profitably scale up its operations while maintaining asset quality shall be key monitorable.

About the company

Chennai based Velicham Finance Private Limited (VFPL) is an NBFC engaged in extending loan against property (LAP) towards MSME borrowers and income generation loans. Velicham Finance Private Limited (VFPL) has its genesis with Bharathi Women Development Centre (BWDC), which was established in December 1987 as a Society by Mr. Nagarajan Muthukrishnan, who is the Managing Director of Velicham Finance Private Limited (VFPL). The company operates in Tamil Nadu, Puducherry and Kerala with a network of 28 branches as on March 31, 2023.

Acuité has considered the standalone business and financial risk profile of VFPL to arrive at the rating.

Key Rating Drivers

Strength

Experienced management in MSME segment

VFPL is engaged in extending loans to MSMEs and for income generation purpose to women entrepreneurs in rural areas since 2016. The Company operates in Tamilnadu, Puducherry and Kerala with a network of 28 branches as on March 31, 2023. The company is promoted by Mr. Nagarajan (MD) who has over three decades experience in the micro finance business and has been associated with various societies and micro-finance institutions. Mr. Nagarajan is the secretary of Bharathi Women Development Centre, a society that primarily offers unsecured Income generation loans (IGL) to Self Help Groups (SHG - Women) and under Joint Liability Group (JLG) model for economically weaker section of women borrowers. The society has been in operations since 1987 and over the years has established its track record in social and micro finance activities. Mr. Nagarajan is supported by Mr. Rahul Nagarajan (ED), who joined VFPL in 2019, in the day-to-day operations of the company. The BoD also consists of Mr. Mathavan Krishna Kumar and Mr. Palavalasa Saikamalakar having close to three decades of experience in MFI, MSME and consulting services.

Acuité believes that established presence of the promoters in the MSME segment will be central to support the business risk profile of the company in the near to medium term.

Growth in AUM, profitability metrics and sustained healthy asset quality

VFPL's AUM stood at Rs. 119.19 crore in March 2023 as against Rs. 62.16 crore in March 2022. The off book portfolio of VFPL, consisting of BC arrangements, increased to Rs. 60.30 Crore in March 31, 2023 from Rs. 31.53 crore as on March 31, 2022. Its own book loan portfolio increased to Rs. 58.89 crore in March 2023 as against Rs. 30.63 crore in March 2022. The AUM growth was inline with the growth in disbursements for FY2023, which stood at Rs. 119.13 Cr (48.05% towards own book). VFPL's PAT for FY2023 improved to Rs. 2.80 Cr (provisional) from Rs. 1.02 Cr for FY2022. RoAA and NIM which stood at 5.44% (provisional) and 21.19% (provisional), respectively, has seen similar growth in FY2023 from 3.86% and 17.01% respectively, for FY2022. VFPL has healthy asset quality with 98.75 percent of on time portfolio and GNPA's at 0.11 percent on March 31, 2023. VFPL has reported an average overall collection efficiency for 12 months ended March 31, 2023 at ~97.27 percent.

Weakness

Modest capital structure

VFPL's capital structure is modest marked by networth of Rs. 14.13 Cr. (provisional) and debt of Rs. 51.74 Cr. (provisional). The gearing stood at 3.66 times and the CAR stood at 24.29 percent. Even though Rs. 1.13 Cr. of capital was infused by promoters in FY2023, Acuite believes that further infusions are necessary to scale up the business and to keep the gearing under control.

Geographical concentration

VFPL has presence majorly in Tamil Nadu with ~97 percent of the AUM spread across 14 districts as on March 31, 2023. This exposes the company to high geographical concentration risk. The company's performance is expected to remain exposed to competitive landscape in these regions and occurrence of events such as natural calamities, are likely to adversely impact the credit profile of the borrowers. Besides geography, the company will be exposed to competition and any changes in the regulatory framework thereby impacting credit profile of VFPL.

Rating Sensitivity

- Resources raising ability
- Movement in profitability metrics
- Movement in collection efficiency and asset quality

- Movement in liquidity and capitalization buffers
- Changes in regulatory environment

Material Covenants

VFPL is subject to covenants stipulated by its lenders/investors in respect of various parameters like capital structure, asset quality among others.

Liquidity Position

Adequate

VFPL's liquidity profile is adequate as on March 31, 2023. The borrowings of VFPL have maturity of 24-60 months vis a vis the loan book which has average tenure of 18 - 24 months. The company reported an average monthly collection of Rs. 6.97 crores for the 12 months ended March 31, 2023. There were no negative cumulative mismatches in ALM statement dated March 31, 2023.

Outlook : Positive

Acuité believes that Velicham Finance Pvt. Ltd.'s credit profile will have a 'Positive' outlook in the near to medium term, as it draws support from its experienced management and will be able to continue the growth momentum. The rating could be upgraded if the company is able to sustain the growth in AUM while improving the capital structure and maintaining asset quality and profitability metrics at healthy levels. The outlook may be revised to 'Stable' in case of significant deterioration in asset quality/ profitability metrics.

Other Factors affecting Rating

None

Key Financials - Standalone / Originator

Particulars	Unit	FY23 (Provisional)	FY22 (Actual)
Total Assets	Rs. Cr.	67.71	35.08
Total Income*	Rs. Cr.	11.39	4.81
PAT	Rs. Cr.	2.80	1.02
Networth	Rs. Cr.	14.13	9.07
Return on Average Assets (RoAA)	(%)	5.44	3.86
Return on Net Worth (RoNW)	(%)	24.12	12.64
Total Debt/Tangible Net Worth (Gearing)	Times	3.66	2.73
Gross NPA's	(%)	0.11	0.12
Net NPA's	(%)	0.05	0.03

* Total income equals to Net interest income plus other income

Status of non-cooperation with previous CRA (if applicable):

Infomerics Valuation and Rating Private Limited, vide its press release dated 07th November, 2022, placed the rating of Velicham Finance Private Limited (VFPL) under 'issuer noncooperating' category.

Any other information

Not Applicable

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Non-Banking Financing Entities: <https://www.acuite.in/view-rating-criteria-44.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite' s categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
07 Sep 2022	Term Loan	Long Term	2.00	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	2.00	ACUITE BB+ Stable (Reaffirmed)
	Proposed Term Loan	Long Term	0.94	ACUITE BB+ Stable (Reaffirmed)
	Proposed Term Loan	Long Term	30.00	ACUITE BB+ Stable (Assigned)
	Term Loan	Long Term	0.42	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	4.62	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	0.95	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	0.99	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	1.96	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	0.66	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	2.75	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	0.24	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	1.47	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	1.00	ACUITE BB+ Stable (Reaffirmed)
21 Oct 2021	Term Loan	Long Term	0.28	ACUITE BB+ Stable (Upgraded from ACUITE BB Stable)
	Term Loan	Long Term	1.10	ACUITE BB+ Stable (Upgraded from ACUITE BB Stable)
	Term Loan	Long Term	0.58	ACUITE BB+ Stable (Upgraded from ACUITE BB Stable)
	Term Loan	Long Term	0.79	ACUITE BB+ Stable (Upgraded from ACUITE BB Stable)
	Term Loan	Long Term	0.67	ACUITE BB+ Stable (Upgraded from ACUITE BB Stable)
	Term Loan	Long Term	1.37	ACUITE BB+ Stable (Upgraded from ACUITE BB Stable)
	Proposed Bank Facility	Long Term	14.01	ACUITE BB+ Stable (Upgraded from ACUITE BB Stable)
	Term Loan	Long Term	1.20	ACUITE BB+ Stable (Upgraded from ACUITE BB Stable)
20 Jul 2020	Term Loan	Long Term	2.56	ACUITE BB Stable (Assigned)
	Proposed Bank Facility	Long Term	15.23	ACUITE BB Stable (Assigned)
	Term Loan	Long Term	1.21	ACUITE BB Stable (Assigned)
	Term Loan	Long Term	1.00	ACUITE BB Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	0.38	ACUITE BB+ Positive Reaffirmed Stable to Positive
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	3.40	ACUITE BB+ Positive Reaffirmed Stable to Positive
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	50.00	ACUITE BB+ Positive Assigned
Millap Social Ventures Private Limited	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	2.32	ACUITE BB+ Positive Reaffirmed Stable to Positive
Catholic Syrian Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.46	ACUITE BB+ Positive Reaffirmed Stable to Positive
MAS Financial Service Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	3.50	ACUITE BB+ Positive Reaffirmed Stable to Positive
Credit Gate Private Limited	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	1.33	ACUITE BB+ Positive Reaffirmed Stable to Positive
Tamil Nadu Mercantile Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	3.43	ACUITE BB+ Positive Reaffirmed Stable to Positive
UC Inclusive Credit Private Limited	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	6.04	ACUITE BB+ Positive Reaffirmed Stable to Positive

Vivrit Capital Private Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	2.00	ACUITE BB+ Positive Reaffirmed Stable to Positive
Usha Financial Services Private Limited	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.05	ACUITE BB+ Positive Reaffirmed Stable to Positive
Profectus Capital Private Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.36	ACUITE BB+ Positive Reaffirmed Stable to Positive
Ananya Finance For Inclusive Growth Private Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.13	ACUITE BB+ Positive Reaffirmed Stable to Positive
A U Small Finance Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.90	ACUITE BB+ Positive Reaffirmed Stable to Positive
Caspian Impact Investment Private Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	5.19	ACUITE BB+ Positive Reaffirmed Stable to Positive
Friends of WWB	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.87	ACUITE BB+ Positive Reaffirmed Stable to Positive
Rar Fincare Limited	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	1.73	ACUITE BB+ Positive Reaffirmed Stable to Positive
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	17.91	ACUITE BB+ Positive Reaffirmed Stable to Positive

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in Basil Paul Manager-Rating Operations Tel: 022-49294065 basil.paul@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research

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